

Message Text

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PAGE 01 CARACA 10177 242124Z

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TAGS: BENC, VE

SUBJ: MAJOR PROJECT: RAILROAD

REF: CARACAS 9979, STATE 199364

1. OUR REPORT IN WEEKA (CARACAS 9586) REGARDING QTE MISGIVINGS UNQTE OF OTHER NATIONAL CONSORTIA AROSE FROM A SERIES OF INFORMAL CONTACTS WITH VARIOUS OF THE EMBASSIES INVOLVED. THEIR MISGIVINGS, AS EXPRESSED TO US, AROSE FROM GENERALLY THE SAME CONCERNS DESCRIBED BY THE U.S. CONSORTIUM MEMBERS, I.E., LACK OF DATA, RISK, PERFORMANCE BONDING REQUIREMENTS AND SO ON. IN NO CASE, HOWEVER, HAS ANYONE OTHER THAN THE U.S. SIDE FORMALLY INDICATED A RELUCTANCE TO SUBMIT A FIRM FIXED PRICE BID EVENTUALLY. MOST ARE ASKING FOR DELAY.

2. TWO EMBASSIES INFORMED US THAT A MEETING WAS HELD IN LONDON THE WEEK BEFORE LAST AMONG THE REPRESENTATIVES OF THE CANADIAN, BRITISH, GERMAN AND FRENCH CONSORTIA TO CONSIDER A JOINT DEMARCHE TO THE RAILROAD INSTITUTE REGARDING THE BIDDING TERMS. THIS APPROACH WAS DISCARDED IN FAVOR OF INDIVIDUAL APPROACHES TO THE INSTITUTE.

3. AS THE RESULT OF FOLLOW-UP VISITS TO THE EMBASSIES INVOLVED, THE STATE OF PLAY AS OF LAST WEEK WAS THE UNCLASSIFIED

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PAGE 02 CARACA 10177 242124Z

FOLLOWING: THE GERMAN CONSORTIUM WILL SEND A LETTER

THIS WEEK REQUESTING A DELAY IN THE BID DEADLINE UNTIL JANUARY 15 AND SUBMITTING THIRTY QUESTIONS TO WHICH AN OFFICIAL REPLY IS REQUESTED. THESE QUESTIONS INVOLVE TECHNICAL ASPECTS. OUR SOURCE IN THE GERMAN EMBASSY INDICATED THAT A TEAM HAS BEEN OUT IN THE FIELD AND UNCOVERED MANY PROBLEM AREAS. THE FRG IS RELUCTANT TO ALLOW PARTICIPATION BY THE NATIONAL RAILWAY AND INDEED PREFERS TO HAVE HOCKTIEF ET AL CARRY THE BALL ALONE WITHOUT GOVERNMENT GUARANTIES. THE SAME SOURCE REPORTED THE BELGIANS HAD REQUESTED A DELAY AND DID NOT SEEM TO BE VERY INTERESTED. HE GENERALLY PROJECTED THE MOST NEGATIVE ANALYSIS OF THE PROJECT.

4. THE CANADIAN MINISTER OF COMMERCE AND INDUSTRY SOME TIME AGO SENT A LETTER TO THE MINISTER OF COMMUNICATIONS VOICING CONCERN RE VARIOUS ASPECTS OF THE PROJECT. HOWEVER, THE CONSORTIUM TEAM HAS NOT YET HELD DETAILED DISCUSSIONS IN CARACAS WITH THE INSTITUTE, PLANS TO DO SO SHORTLY, AND HAS NOT YET TOLD THE EMBASSY HERE WHETHER THEY INTEND TO REQUEST AN EXTENSION OF THE BID DEADLINE. THE CANADIAN COMMERCIAL ATTACHE EXPECTS AN EXTENSION WILL BE GRANTED. THE PRIME CONCERN HE EXPLICITLY DETAILED CONCERNED THE LEGAL RAMIFICATIONS OF FORMING AND CAPITALIZING A LARGE VENEZUELAN CORPORATION TO IMPLEMENT THE PROJECT. APPARENTLY, THE REQUIREMENTS SPECIFIED IN THE BIDDING PROCEDURES CLASH WITH THE VENEZUELAN COMMERCIAL CODE.

5. THE BRITISH HAVE INFORMALLY REQUESTED AN EXTENSION OF THE BID DEADLINE AND WILL FORMALLY DO SO THIS WEEK. THE BRITISH CONSORTIUM'S CONCERNS ARE PRIMARILY IN THE AREA OF THE ONEROUS PREFORMANCE BONDING REQUIREMENTS AND RETENTION OF PROGRESS PAYMENTS.

6. THE FRENCH GROUP INTENDS TO BID ON TIME AND THE FRENCH NATIONAL RAILWAY IS STRONGLY BEHIND THE PROJECT, ACCORDING TO THE ASSISTANT COMMERCIAL ATTACHE IN THE FRENCH EMBASSY. ONE PROBLEM AREA IS THE LOCAL BONDING REQUIREMENTS WHICH THE VENEZUELAN FINANCIAL UNCLASSIFIED

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PAGE 03 CARACA 10177 242124Z

SYSTEM CANNOT HANDLE. EVEN FRENCH BANKS WILL HAVE TROUBLE WITH THE REQUIRED \$250 MILLION IN SURETIES (EVIDENTLY THE FRENCH ARE THINKING IN TERMS OF A TOTAL PROJECT COST OF ONE BILLION DOLLARS ALSO).

7. THE JAPANESE SECOND SECRETARY WAS NONCOMMITTAL.

8. COMMENT: WITH THE EXPRESS APPROVAL OF BILL

PERKINS OF MKI, WE TOLD ALL FIVE OF THE ABOVE CONTACTS
THE U.S. CONSORTIUM PROPOSED A TARGET PRICE ESTIMATE
FORMULA FOR THE CIVIL WORKS PORTION OF THE BID; NONE
EXPRESSED ANY INTEREST IN THIS ALTERNATIVE. IF WE
ACCEPT THE STATEMENTS ABOVE ON FACE VALUE, ALL FIVE
CONSORTIA EXCEPT PERHAPS GERMANS INTEND TO
BID NOTWITHSTANDING THE REPEATED REFRAIN THAT
THE PROJECT IS IMPOSSIBLE.
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